

Meeting date: 15 February 2021
Report to: Cabinet Member for Adult Social Care and Health



Subject/report title: Housing Capital Programme 2021/22

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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph: Select an Exemption paragraph from the Quick Parts drop-down list

1. Purpose of Report

1.1 To recommend the Housing Capital Programme for 2021/22.

2. Decision(s) recommended

2.1 Approve the Housing Capital Programme of £30.921million for 2021/22.

2.2 Note the availability of additional resources through Housing Revenue Account (HRA) reserves.

2.3 Note the availability of additional resources through prudential borrowing subject to required approval.

2.4 Approve an allocation of £1.825million to SCH to meet statutory Disabled Facilities Grant (DFG) demand.

3. Matters for Consideration

3.1 The capital resources available for housing at the beginning of 2021/22 total £64.645million, of which it is recommended to allocate £30.921million.

3.2 The table below sets out, for each of the spending heads, the source of funding, the amount available and the recommended allocation:

Source	Available £m	Allocation £m
<u>Council Housing, Acquisitions & Development</u>		
<i>Funding for Main HRA Capital Programme:</i>		
Main programme funding (formerly Major Repairs Allowance)	13.539	13.539
Capital Programme carry forwards (includes £0.765m approved by Cabinet 03/12/20)	2.262	0.765
Use of HRA Reserves for Retrofit of High Rise Sprinklers	8.692	2.897
HRA Borrowing for replacement of High Rise Spandrel Panels	5.254	5.254
<i>Funding for Stock Growth Programme (allocation includes £3.021million b/fwd):</i>		
Use of HRA Reserves for DIY Shared Ownership Scheme	1.000	1.000
Homes England Grants	1.368	1.368
Non-RTB Capital Receipts (inc.Shared Ownership)	2.301	0.660
Unapplied RTB Receipts	11.184	0.000
Use of HRA Reserves for Property Acquisitions (including 1-4-1 receipts)	2.157	2.137
HRA Borrowing towards New Developments	12.404	1.260
Total Council Housing	60.161	28.880
<u>Private Sector Housing</u>		
Minor works	0.216	0.216
Better Care Fund – Disabled Facilities Grants (DFG)	1.734	1.200
DFG carry forwards	0.925	0.625
Renewal/ Renovation Grants	0.474	0.000
Total Private Sector	3.349	2.041
<u>Enabling</u>		
Developer Payments Available - unallocated	0.697	0.000
Developer Payments Secured - unallocated	0.438	0.000
Total Enabling	1.135	0.000
Total Resources	64.645	30.921

- 3.3 As in previous years it is anticipated that the available resources could change during the year through accessing external funding, the receipt of developer contributions or the earlier application of Right to Buy (RTB) receipts. These, together with any significant proposals for in-year changes to the Programme may be the subject of future reports.

Council Housing, Acquisitions and Development

- 3.4 It is recommended that capital resources totalling £28.880million are directed to investment in council housing and the development and acquisition of homes by Solihull Community Housing on behalf of the Council.
- 3.5 A summary of the distribution of spending is as follows:

	£m	%
Health & Safety	11.773	40.8
New Build and acquisition	6.425	22.4
Cyclical & Envelope Improvement Works	4.100	14.2
Climate & Energy	1.620	5.6
Programme Management & IT	1.538	5.3
Adaptations	1.515	5.2
Maintenance and Improvements	1.400	4.8
Environment & Estate Management	0.300	1.0
Crime & Security	0.209	0.7
	28.880	100.0

- 3.6 Health & Safety – £11.773million. This includes £2.897million budget for the Retro fitting sprinkler programme and £5.254million for the replacement of spandrel panels in 16 high rise buildings. A budget of £1.300million has also been introduced for Building Safety Works in preparation for the impact of the Building Safety Bill. The Bill represents the most significant and fundamental changes to building safety legislation in decades. The initial focus of expenditure being identified works that require completion within the High Risk Residential Buildings (HRRBs) associated with the delivery of the Sprinkler Project. These associated works include water supply infrastructure works, structural works to the roof of the buildings to carry the weight of the water tanks, smoke detection and sprinkler activation alarm systems. There are also budgets for Electrical improvements, Electrical sub-mains, fire protection and structural works.
- 3.7 New Build and Acquisition – £6.425million. This includes £2.628million for the redevelopment of an HRA site approved by the Cabinet Member on 17 December 2019, £1.314million of which is a carry forward from 2020/21. Further carry forwards from 2020/21 include £660,000 for two garage sites currently being developed due to slippage in the programme of works and also £1.000million for the DIY Shared Ownership scheme. The remaining budget of £2.137million is for property acquisitions of which £641,000 is to be funded from 1-4-1 receipts.
- 3.8 Cyclical & Envelope Improvement works – £4.100million. This comprises of the continuation of the low-rise enveloping programme to improve communal areas, external parts and the surroundings. The programme for 2021/22 includes works to 40 low rise blocks for envelope works and over 200 general dwellings (a mixture of houses, bungalows and maisonettes) that will receive cyclical maintenance and decoration works. There will also be a separate work stream to apply external wall insulation to approximately 120 low rise flats and houses.
- 3.9 Climate & Energy – £1.620million. The focus of energy improvement work for 2021/22 will continue to be on window replacements budgeted as £850,000 for the 2 remaining high rise properties and 140 low rise flats and houses. There is also £500,000 for the

new heating systems and £270,000 to improve the efficiency of the Biomass Plant Rooms.

- 3.10 Programme Management and IT - £1.538million. The cost of SCH staff directly involved with overseeing the Housing Capital Programme is budgeted as £1.212million. The balance of £326,000 is for IT and allows for other system software / hardware that will support Smarter Ways of Working.
- 3.11 Adaptations (HRA Properties) - £1.515million. This comprises of works carried out on public properties ranging from level access showers to conversions and extensions. Funding includes a carry forward of £315,000 from 2020/21.
- 3.12 Maintenance and Improvements – £1.400million. The proposed spend includes £350,000 to replace flat roofs for three high rise, three low rise and approximately 100 pitched roofs to houses and bungalows. Kitchen and Bathrooms replacement works of £400,000 for approximately 150 mainly properties. Planned lift refurbishments budgeted as £150,000 and a continuation of the programme of improvement works at former sheltered schemes of £100,000.

Private Sector Housing

- 3.13 SCH are also responsible for providing home adaptations for vulnerable people in the private sector on behalf of the Council through a statutory Disabled Facilities Grants (DFGs), Minor Works grants and low-value assistance through the Handyperson Scheme. Each of these activities helps people to remain living independently in their current home.
- 3.14 SCH must ensure that applications are progressed throughout the year within statutory timescales and in 2020/21 one property failed to achieve this due to suspension of works as the resident had a positive COVID test. For 2021/22 SCH have estimated £1.825million will be sufficient to meet statutory DFG responsibilities. This estimate is based on current expectations of demand and includes a number of higher value works delayed due to COVID-19.
- 3.15 It is proposed that the balance of the DFG allocation should again be allocated to projects proposed by the Director of Adult Care and Support; these are to be approved by the Cabinet Member for Health and Social Care at a future meeting.
- 3.16 In addition, SCH also manage a budget of £216,000 for Minor works to private residences and a budget for private sector renewals of £474,000. The Strategic Housing Board have approved a different strategy for use of the available grant and a delivery method is currently being developed.

Enabling

- 3.17 Resources for the provision of affordable homes come from payments by developers in-lieu of providing on site affordable housing.
- 3.18 The Council's policy relating to this is set out in the Solihull Local Plan (Policy P4 'Meeting Housing Needs') and the Supplementary Planning Document 'Meeting Housing Needs'.
- 3.19 Taking account of approved payments received in 2020/21, the enabling budget currently holds funding of £697,000. There are no commitments against this.
- 3.20 Additional enabling funding of £438,000 has been secured by legal agreement and it

is forecast that this will be received during 2021/22. Taking this into account, the total uncommitted funding available is £1.135million.

- 3.21 Any specific proposals to utilise this funding will be brought to decision sessions as and when required.

Headroom/ HRA Borrowing

- 3.22 Historically, every housing authority was set a maximum amount of HRA debt allowed (known as the HRA debt cap) and Solihull's was £179.761million. Headroom was the difference between the HRA debt cap and the debt currently outstanding. With effect from 29 October 2018, the HRA borrowing debt cap was abolished, giving local authorities the flexibility to determine their own borrowing requirements.
- 3.23 The Councils revised Treasury Management policy, approved by Full Council on 4 February 2020, included a HRA debt limit of £191.000million for 2021/22.
- 3.24 Solihull's estimated outstanding HRA debt at 31 March 2021 is £173.342million therefore the funding available via HRA borrowing at the start of 2021/22 is estimated to be £17.658million. The Council is able to incur additional borrowing up to this figure to fund stock growth and / or stock investment although all schemes will be approved separately by Cabinet before borrowing is undertaken.
- 3.25 There continue to be annual repayments of £529,000 per year for prudential borrowing previously undertaken to fund capital maintenance and new build developments.
- 3.26 The existing plans for new developments being undertaken within the HRA allow for new borrowing to be taken to support new schemes at the approved small sites developments, the latest estimate includes a draw-down of borrowing of £940,000 in 2020/21 and £1.260million in 2021/22.
- 3.27 The HRA Plan as presented also includes borrowing for the replacement of Spandrel Panels on sixteen high rise blocks in the borough, as approved by Cabinet on 3 December 2020.

HRA Reserves – Capital

Right to Buy Receipts Unapplied

- 3.28 In the first 3 quarters of 2020/21 the Council sold 27 homes under the Right to Buy (RTB) scheme and these generated £1.786million in Capital Receipts. Of this £913,000 has been paid to Government, and £35,000 deducted as allowable transaction costs, leaving a net receipt of £838,000.
- 3.29 After assuming that RTB sales continue at a similar rate to the end of the financial year, it is estimated that there will be £11.834million available to the Council in useable accumulated receipts from Right to Buy.

- 3.30 Within this total is 'one-for-one' receipts which are receipts generated in excess of the amount estimated in the 2012 self-financing agreement. Ordinarily these must be used within three years or the Council will have to pay them back to central Government with interest. Due to COVID-19 the rules have been temporarily relaxed to allow a further 3 months for One-for-one receipts to be spent, however Solihull Community Housing have spent the required amount by the end of Quarter 3 2020/21 and have therefore not needed to use this flexibility. In the event the Council is unable to spend their one-for-one receipts, the Council could gift the contribution to a Housing Association to utilise towards their affordable stock development.
- 3.31 The total currently allocated to one-for one receipts is £585,000 of which £509,000 needs to be spent in 2020/21. As at quarter 3 £504,000 has been spent, the remaining £5,000 is expected to be spent on additional acquisitions in quarter 4.
- 3.32 A programme of acquisitions has been planned in order to continue to utilise these receipts. In 2021/22 the capital programme includes £2.137million for property acquisitions, including £641,000 for one-for-one receipts. It has previously been agreed that the required match-funding will be taken from an earmarked revenue reserve (Future Capital Expenditure Reserve).

Shared Ownership Receipts

- 3.33 Of the £2.301million forecast shared ownership receipts for the developments at Halifax Road and Wagon Lane, £660,000 will be used in the 2021/22 budget to finance the completion of the schemes resulting in £1.641million available to be used towards future approved new build schemes.

Major Repairs Reserve (MRR)

- 3.34 In line with the HRA budget, the MRR is adjusted each year to reflect the values established during the self-financing exercise in 2012. At the end of 2020/21 the balance is estimated to be £2.262million of unused contributions, which includes £765,000 of carry forwards approved by Cabinet on 3 December 2020. By the end of 2021/22 the balance is forecast to be £1.497million.
- 3.35 In March 2020 Cabinet approved additional funding for the retrofit of sprinklers to all of the High Rise Blocks. The pre-construction phase of the project is underway with pilot works being carried out during 2020/21 to help inform the main construction programme commencing April 2021. A budget of £9.5million has been identified for the whole project and a capital reserve established. Associated building safety works have also been identified within the main capital programme. Planned spend on the retrofit of sprinklers in 2021/22 is £2.897million.

HRA Reserves - Revenue

- 3.36 These derive from HRA surpluses in prior years and decisions approved by Full Cabinet as part of the HRA Estimates and rent increases report to retain these surpluses.
- 3.37 It is essential that a "minimum HRA Working Balance" of £2.000million is retained, as defined by the Director of Resources and Deputy Chief Executive and agreed with the Council's external auditors. The balance is currently £6.917million and this is forecast to be £4.542million by the end of 2020/21. Any future use of surpluses will be considered as part of the Council's MTFs for the HRA.

Earmarked Reserves

- 3.38 Other than the £2.000million minimum working balance, the Council is able to apply revenue reserves to support expenditure where approved by Cabinet. At the start of 2021/22 it is anticipated that there will be revenue reserves of £10.548million (excluding the £4.542million HRA Working Balance) and, based on the current budget. It is anticipated that these balances will be £6.988million at the end of 2021/22.
- 3.39 Of the available earmarked reserves £1.063million is for the impact of Welfare Reform and £959,000 has been committed, £212,000 for Regeneration and £100,000 for Homelessness prevention initiatives. In addition £1.000million has been set aside for the DIY Shared Ownership scheme.
- 3.40 There is a further balance of £1.260million Contribution for Future Capital Investment – which is used as the first call for the 70% match funding required when utilising the one-for-one RTB capital receipts. There is a forecast contribution to this reserve within the 2020/21 budget of £582,000 and £1.496million of the resulting balance is forecast to be used during 2021/22.

Hackitt Report & Moore-Bick Inquiry Implications

- 3.41 Following the Grenfell Tower fire, Dame Judith Hackitt was jointly commissioned by the Home Secretary and the Housing Secretary in July 2017 to conduct an independent review to look at the regulatory system for high rise buildings. The aim was to assess the effectiveness of the current building and fire safety regulations, focusing particularly on high-rise buildings. The report was completed in May 2018 and the Government responded at the end of 2018 announcing an intention to implement all recommendations in full. The Fire Safety Bill was published in March 2020.
- 3.42 In addition to the Hackitt report Sir Martin Moore-Bick was appointed as the Chairman of an inquiry to examine the events and circumstances that led up to the tragic event. The inquiry has been separated into two phases. A report was published on 30 October 2019 and a draft Building Safety Bill on 20 July 2020. Alongside the introduction of these two Bills, the Government has announced its Fire Safety Consultation, seeking views on the implementation of the Grenfell Tower Public Inquiry phase one recommendations (Moore-Bick report), and other details on responsibility for fire safety measures as well as the recent Charter for Social Housing Residents: Social Housing White Paper, that has been published which sets out the actions the Government will take to ensure that residents in social housing are safe, are listened to, live in good quality homes, and have access to redress when things go wrong.
- 3.43 The Council has responded to these emerging requirements of the new and developing legislation by commissioning two large scale capital projects to further strengthen and improve building safety within the 37 high-rise buildings in the borough.
- 4. What options have been considered and what is the evidence telling us about them?**
- 4.1 The current funding arrangements aim to make best use of available resources to manage the level of debt charges chargeable to the HRA. At present no further borrowing, beyond that identified in this report, is required to fund the recommended programme of works and this option has therefore received no further consideration.

However, where new stock development schemes are identified throughout the year these would be the subject of separate reports that would contain funding options.

5. Reasons for recommending preferred option

- 5.1 The current funding proposals see the maximisation of the Base Capital Funding, continued use of borrowing and the use of capital receipts with a particular priority on maximising one-for-one Right to Buy receipts to ensure the investment remains within the growth of the Council's housing stock.
- 5.2 It is recommended that the draft capital programme for 2021/22 adequately supports the activity of the Council and SCH's 2021/22 Delivery Plan which will be presented for approval at the Cabinet Portfolio Decision Session on 30 March 2021.

6. Implications and Considerations

- 6.1 How the proposals in this report contribute to the delivery of Council Plan priorities:

Priority:	Contribution:
Economy: 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social housing.	SCH continue to purchase properties from the open market using 1-4-1 receipts and build new homes.
Environment: 4. Enhance Solihull's natural environment. 5. Improve Solihull's air quality. 6. Reduce Solihull's net carbon emissions.	Improving energy efficiency for tenants – SCH will continue to work closely with the Council to tackle fuel poverty and deliver the commitments due to be set out in the low carbon strategy.
People and Communities: 7. Take action to improve life chances in our most disadvantaged communities. 8. Enable communities to thrive. 9. Sustainable, quality, affordable provision for adults & children with complex needs.	Building safety and appropriate investment is a priority to ensure the safety of our residents. Improved community engagement aligned with focussed investment contributes to thriving communities.

- 6.2 Consultation and Scrutiny:

Much of the capital programme supports the SCH delivery plan which will be presented for approval at the Cabinet Portfolio Decision Session on 30 March 2021.

- 6.3 Financial implications:

The Capital budget presented for approval is in line with the expectations as set out in the latest 3 year capital programme, this is set out below:

	<u>2021/22</u> <u>£m</u>	<u>2022/23</u> <u>£m</u>	<u>2023/24</u> <u>£m</u>
Capital Expenditure EXCLUDING Development	10.682	19.565	16.969
Development (New Build & Acquisitions)	6.425	0.229	0.229
Grand Total INCLUDING Development	17.107	19.794	17.198
Funded by:			
Major Repairs Allowance (MRA)	(13.539)	(13.165)	(14.071)
MRA carry forward from prior years	(0.765)	-	-
High Rise Sprinklers Reserves	(2.897)	(2.897)	(2.898)
Use of Future Capital Expenditure Reserve	(2.496)	(0.161)	(0.161)
Use of 1-4-1 receipts reserve	(0.641)	(0.068)	(0.068)
Shared Ownership receipts	(0.660)	-	-
Homes England Grant	(1.368)	-	-
Prudential Borrowing	(6.514)	(3.503)	-
Total Financing	(28.880)	(19.794)	(17.198)

6.4 Legal implications:

All planned expenditure complies with the legal requirements placed on the Council, particularly the use of Right to Buy receipts where funds can be used either for debt repayment or increasing stock

6.5 Risk implications:

Risks associated with the capital programme are currently managed by SCH and comply with the Council's methodology. In addition, SCH has regular contact with the Council's Health and Safety officers and are seen to manage these risks well.

6.6 Equality implications:

Due regard to equality will be taken account of, where it applies, by the owners of specific capital projects covered in this report in conjunction with the advice of the Council's equality team.

7. List of appendices referred to

7.1 Appendix A – Statement of HRA Reserves

8. Background papers used to compile this report

8.1 HRA Estimates and Rent Increases for 2021/22 – Report to Full Cabinet, 11 February 2021

9. List of other relevant documents

9.1 Councils Treasury Management policy

9.2 HRA rents report to Cabinet 15 February 2021

9.3 SCH Delivery Plan 2020/21

9.4 Solihull Community Housing Asset Management Strategy 2020-2022